

PREPARED TESTIMONY OF
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Mr. Chairman and Members of the Committee, thank you for this opportunity to discuss issues with California Solar Initiative.

CALSEIA is the largest solar industry association in the U.S. and was founded in 1977 and has nearly 200 members. CALSEIA's members include manufacturers, installers, integrators, distributors, utilities, engineers, designers, and consultants based in or doing business in California. Its focus is specifically on growing the use of solar in California – solar electric and solar thermal for domestic water, pool, space heating and conditioning, and process energy and utility scale applications. Our comments today will focus on the solar electric technologies incentivized by the CSI.

With respect to the CSI, we think its principal concept of providing ten years of certainty is one of the most important features of the program.

The CSI started off with difficulties that would be understandable in any new program. The difficulties were exacerbated by the shift from a capacity based program to a performance based program. CALSEIA supports the performance based approach but it was clear that because the time to implement and educate was extremely compressed from when SB1 was signed into law in August to when the final program rules were issued on December 19 to the rollout of the statewide program on January 1 this year, the transition was difficult.

We see many changes in our businesses as a result of the new program. Some good, some not so good.

On the good side, consumer interest for solar is growing – in both residential and commercial markets. The CSI program has raised the awareness of solar among people who would have never considered an investment in solar before the CSI program. Second, many companies have increased their capacity to install commercial systems. Commercial systems have economies of scale that proportionately reduce the overhead and operating costs for these businesses. New companies have started up in California. Investments in 3rd party owned systems have been occurring throughout California in commercial

applications and they've contracted with local solar companies to install those systems. New companies have also opened to sell specifically in the residential market. All this is good news.

However, the job of selling solar to customers became a lot more complex through the new program. Specifically,

- New program documentation requirements – some documentation requirements have already been removed and CALSEIA appreciates that the CPUC and Program Administrators are working to quickly implement changes to further streamline the process.
- Lack of certainty within the program has been an issue. I'll provide a few examples,
 - o Because of the program rules or calculator glitches, rebate levels can change after the contractor has signed a contract with the homeowner or business owner. This sets up a conflict between the seller and the buyer. We need some certainty.
 - o Specific to PG&E, there is currently a lag time of about 8 weeks before they can confirm a customer's reservation. If this continues, a customer who signs a contract cannot install their solar system until sometime in 2008. This further aggravates customers who desire to have their system installed during this tax year to take advantage of federal tax credits. When we raised this issue to them in July, they quickly responded and told us they are adding staff. However, not much progress has been made to reduce the backlog.
 - o After the system is installed there is an interconnection process which allows the system to feed electricity back into the grid. SB 1 allows utilities 30 business days to make that connection. That translates to about 6 weeks. However, this is actually taking longer than 6 weeks because of paper transfer issues between the Interconnection Department and the CSI Program Administrators.
 - o Length of time for payment claim after installation is exceeding three months in many cases and adds to the burden of interest expense and carrying costs for installers. We could use a rule that provides for prompt reservations, prompt interconnection, and prompt payments.
 - o The program started out with site inspections using shading calculation tools that provide inconsistent results based on factors such as how the user is holding the device, which device to use as well as exactly where survey points are located. A solution on this problem should be implemented shortly.
 - o Extensive remodels are a common feature on the California landscape but sizing a system for these homes cannot be based on the historical load of the existing home. Right now, there is no uniform process for doing this, so many applications are rejected because of

'inadequate' justification. However, there is very little information available on what methods are acceptable.

- Constant changes to the industry's business practices. A pending example of this is the Energy Commission's proposed eligibility requirements for energy efficiency. The policy is not in synch with clients who might want a solar system but may not want to buy double pane windows or other add-ons at the same time. We support energy efficiency wholeheartedly, but there are customer level realities that need to be taken into consideration because buyers may frequently opt for neither rather than both. We need to come up with a way to do this so that it does not have this result.
- The number of homes that have met the Energy Commission's rules for the New Solar Home Partnership, speak for themselves. There is testimony from builders who stopped putting solar on their homes because the rules are simply not workable. I understand the Energy Commission's good intent but there must be an easier way. And no one understands why the CEC is proposing to change calculators – there is no assessment that shows how one is better than the other. Let's think about the effect these changes will have before we implement them. They have a cost on small business that is not adequately assessed, partly because the CEC doesn't have to take this affect into consideration when it adopts guidelines.
- Last, there hasn't been much coordination with State permitting authorities, local governments, and Homeowners' Associations with the Solar Initiative. I will discuss these later in this hearing.

Some issues are indirectly related to the program, such as the California housing market and lending situation. We recognize this as a factor as well.

The net effect of these challenges has been slower sales, increased overhead for program administration, and over extended lines of credit. For many solar companies in California, the new program has shrunk rather than grown their business, particularly in the residential retrofit market.

CALSEIA is working closely with the CPUC and the Program Administrators to identify and implement changes that will help smooth out the rough patches. We appreciate their efforts and view ourselves as partners to their efforts. Speed is of the essence for these fixes because solar businesses can only wait so long before they are past the point of no return.

I want to close by talking about what we might want to see when we look back 10 years from now. Here's an image for you:

- It is 2018 and we have brought the price of solar electric systems – installed cost, down to prices that provide a reasonable payback to its customers. Something on the order of 5 to 6 years for payback. We won't need an incentive program.
- We've blown past 3,000 MW by 2018. More than 10 percent of all existing home built before 2008 have solar and we expect that number to grow.
- The systems were installed with craftsmanship and there is a high degree of customer satisfaction. The systems are interconnected the moment the installation is complete.
- New warehouses, offices, and retail stores are always built with solar.
- Building departments issue permits on line in less than 5 minutes.
- Homeowners' Associations are begging for solar because they see that homes with solar have higher resale value and they feel left out.
- We see companies located in every community in California. Your local solar electric service company. A service technician is available this week to check your system to make sure everything is working great. This company will be there when you re-roof to remove and reinstall the panels. If there are warranty issues, the company will help coordinate this with the manufacturer of the products.
- All of these local companies also have a sales force. They are selling enough systems to ensure that all of the employees are paid good wages and benefits.
- All of the companies who are here today are here in 2018.
- New homes and commercial buildings are being built with solar as a standard feature. Homebuyers wouldn't think of buying a home without a solar electric and solar water heating system.
- Utilities love solar and they see these installations as a benefit to their challenges in providing reliable and affordable energy to their customers. They buy the excess power generated by their customers.

The challenge to me is two-fold:

- Making it a priority to resolve the CSI implementation issues.
- Keeping all parties engaged until the problems are resolved.

Thank you for the opportunity to address this Committee. CALSEIA appreciates your leadership.